Gunnison Valley Transportation Authority

Financial Report

December 31, 2013

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Gunnison Valley Transportation Authority
Financial Report
December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gunnison Valley Transportation Authority

We have audited the accompanying financial statements of the governmental activities of the Gunnison Valley Transportation Authority (the "Authority"), as of and for the year ended December 31, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Gunnison Valley Transportation Authority as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information on page C3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.
July 31, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Gunnison Valley Transportation Authority

Management's Discussion and Analysis
December 31, 2013

As management of the Gunnison Valley Transportation Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund, the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The Authority's financial statements can be found on pages C1 through C3 of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found on pages D1 through D8 of this report.

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Financial Analysis of the Authority

Gunnison Valley Transportation Authority's Net Position

	12/31/13	12/31/12
Assets:		
Current assets	$ 972,527	675,389
Capital assets	498,736	619,990
Total Assets	1,471,263	1,295,379
Liabilities:		
Current liabilities	53,966	62,206
Total Liabilities	53,966	62,206
Net Position:		
Invested in capital assets	498,736	619,990
Restricted	35,000	32,000
Unrestricted	883,561	581,183
Total Net Position	$ 1,417,297	1,233,173

Between December 31, 2012 and 2013, total assets of the Authority increased by $175,884 . Capital assets of the Authority decreased by approximately $121,254 during 2013 as depreciation expense and disposals exceeded capital asset additions.

Between December 31, 2012 and 2013, total liabilities of the Authority decreased by $8,240 . This change in liabilities is related to the timing of payments to vendors and typically varies on an annual basis.

Approximately 35% of the Authority's net position reflects its investment in capital assets, which include improvements and equipment (e.g., buses). The Authority uses its capital assets to provide transportation services to its citizens; therefore, these assets are not available for future spending. Of the remaining $918,561 of net position, $35,000 has been restricted for emergencies. The remaining balance of $883,561 may be used to meet the Authority's ongoing obligations relating to its operations.

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Financial Analysis of the Authority (continued)

The Authority's net position increased $184,124 from the prior year. This change is summarized below:

Gunnison Valley Transportation Authority
Change in Net Position

	2013	2012
Revenues:		
Transportation Authority sales tax	$ 1,118,542	1,055,109
Department of Transportation grant	148,000	135,374
Contributions	30,455	39,000
Other revenue	310	1,689
Earnings on investments	2,148	3,297
Total Revenues	1,299,455	1,234,469
Expenses:		
Postage	18	30
Professional services	104,821	95,856
Auditing	2,313	2,392
Sales tax collection fee	15,272	13,830
Contracted temporary labor	10,400	400
Airline guarantees	443,235	415,159
Ground transportation	271,395	281,677
Advertising and legal notices	4,835	3,558
Insurance and bonds	4,086	4,024
Repairs, maintenance and fuel	110,957	146,825
Meals and lodging	1,727	1,149
Dues and meetings	1,942	1,800
Bank fee	10	64
Treasurer's fees	11,630	10,051
Depreciation	114,973	115,348
Administrative services	15,108	20,832
Total Expenses	1,112,780	1,112,995
Other Financing Uses		
Issues of debt	(2,551)	-
Change in Net Position	184,124	121,474
Net Position:		
Beginning of the Year	1,233,173	1,111,699
End of the Year	$ 1,417,297	1,233,173

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In 2013, revenues increased $64,986 from 2012 levels.

Transportation Authority sales taxes were again the most significant source of income. This revenue stream represents the 0.60% (0.35% in the City of Gunnison) Transportation Authority sales tax passed by the voters; collections of this tax began in January 2003.

In 2013, expenses decreased $215 from 2012 levels. Overall, expenses were consistent between 2013 and 2012.

Financial Analysis of the Authority (continued)

Expenses in 2013 totaled $1,112,780. The Authority's costs are approved by the Board. Administration of the Authority is also the responsibility of the Board and its officers. The largest expense during the year was payment for the airline guarantees of $443,235. The other expenses incurred for 2013 represented the ground transportation expense of $271,395 paid to a contractor, collection fees, and other operating costs.

Budget Variances in the General Fund:

The Authority's revenues were $ 145,455 greater than budget and expenditures were $ 358,145 under budget during fiscal year 2013.

Significant budget variances in the General Fund were as follows:

	Final Budget	Actual	Final Budget Variance Positive (Negative)	Reason
Revenues:				
Transportation Authority sales tax	$ 960,000	1,118,542	158,542	Conservative budgeting due to prior year history for declining revenues.
Contributions	50,000	30,455	(19,545)	Refund of $19,545 back to various contributors due to airline exceeding expectations.
Expenditures:				
Airline guarantees	716,466	443,235	273,231	United Airlines refunded $273,321 due to airfares.
Ground transportation	286,500	271,395	15,105	Off-season transportation costs less than anticipated.
Repairs, maintenance and fuel	171,064	110,959	60,105	Conservative budgeting.

Capital Assets

The Authority's capital assets decreased $114,973 in 2013, as previously discussed. There were no new additions to capital assets in 2013 to offset the depreciation expense of $114,973. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements on page D6 of this report.

Next Year's Budget

The Authority's General Fund balance at the end of the 2013 fiscal year totaled $918,561 The Authority's 2014 budget anticipates an ending balance of approximately $1,227,590. The 2014 budget anticipates revenues of approximately $1,239,650 and expenditures of approximately $930,621, of which $0 is budgeted for capital projects.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison Valley Transportation Authority
200 E Virginia
Gunnison, CO 81230

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Gunnison Valley Transportation Authority
Balance Sheet/Statement of Net Position
December 31, 2013

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents - unrestricted	531,145	-	531,145
Due from other governments	168,151	-	168,151
Accounts receivable	273,231	-	273,231
Capital assets, net	-	498,736	498,736
Total Assets	972,527	498,736	1,471,263
Liabilities:			
Warrants payable	53,966	-	53,966
Total Liabilities	53,966	-	53,966
Fund Balance/Net Position:			
Spendable:			
Restricted for emergencies	35,000	(35,000)	-
Unassigned	883,561	(883,561)	-
Total Fund Balance	918,561	(918,561)	-
Total Liabilities and Fund Balance	972,527		
Net Position:			
Investment in capital assets		498,736	498,736
Restricted for emergencies		35,000	35,000
Unrestricted		883,561	883,561
Total Net Position		1,417,297	1,417,297

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The accompanying notes are an integral part of these financial statements.

Gunnison Valley Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balance /
Statement of Activities
For the Year Ended December 31, 2013

	General Fund	Adjustments	Statement of Activities
Revenues:			
Transportation Authority sales tax	1,118,542	-	1,118,542
Department of Transportation grant	148,000	-	148,000
Contributions	30,455	-	30,455
Other revenue	310	-	310
Earnings on investments	2,148	-	2,148
Total Revenues	1,299,455	-	1,299,455
Expenditures/Expenses:			
Postage	18	-	18
Photocopy	58	-	58
Professional services	104,821	-	104,821
Auditing	2,313	-	2,313
Sales tax collection fee	15,272	-	15,272
Contracted temporary labor	10,400	-	10,400
Airline guarantees	443,235	-	443,235
Ground transportation	271,395	-	271,395
Advertising and legal notices	4,835	-	4,835
Insurance and bonds	4,086	-	4,086
Repairs, maintenance and fuel	110,957	-	110,957
Meals and lodging	1,727	-	1,727
Dues and meetings	1,942	-	1,942
Bank fee	10	-	10
Treasurer's fees	11,630	-	11,630
Administrative services	15,108	-	15,108
Depreciation	-	114,973	114,973
Total Expenditures/Expenses	997,807	114,973	1,112,780
Other Financing Sources:			
Gain (loss) on disposition of assets	3,730	(6,281)	(2,551)
Total Other Financing Sources (Uses)	3,730	(6,281)	(2,551)
Change in Fund Balance/Net Position	305,378	(121,254)	184,124
Net Position:			
Fund Balance/Net Position - Beginning of the Year	613,183	-	1,233,173
Fund Balance/Net Position - End of the Year	918,561	(121,254)	1,417,297

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The accompanying notes are an integral part of these financial statements.

Gunnison Valley Transportation Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2013
(With Comparative Actual Amounts For the Year Ended 2012)

	2013				2012
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Transportation Authority sales tax	960,000	960,000	1,118,542	158,542	1,055,109
Department of Transportation grant	142,000	142,000	148,000	6,000	135,374
Contributions	50,000	50,000	30,455	(19,545)	39,000
Other revenue	-	-	310	310	1,689
Earnings on investments	2,000	2,000	2,148	148	3,297
Total Revenues	1,154,000	1,154,000	1,299,455	145,455	1,234,469
Expenditures:					
Postage	100	100	18	82	30
Photocopy	100	100	58	42	-
Professional services	107,700	107,700	104,821	2,879	95,856
Auditing	2,464	2,464	2,313	151	2,392
Sales tax collection fee	13,000	13,000	15,272	(2,272)	13,830
Contracted temporary labor	-	10,400	10,400	-	400
Airline guarantees	342,525	716,466	443,235	273,231	415,159
Ground transportation	286,500	286,500	271,395	15,105	281,677
Advertising and legal notices	8,000	8,000	4,835	3,165	3,558
Insurance and bonds	4,000	4,000	4,086	(86)	4,024
Repairs, maintenance and fuel	171,064	171,064	110,957	60,107	146,825
Meals and lodging	2,400	2,400	1,727	673	1,149
Dues and meetings	3,500	3,500	1,942	1,558	1,800
Bank fee	50	50	10	40	64
Treasurer's fees	15,000	15,000	11,630	3,370	10,051
Administrative services	15,108	15,108	15,108	-	20,832
Capital outlay	100	100	-	100	-
Total Expenditures	971,611	1,355,952	997,807	358,145	997,647
Excess (Deficiency) of Revenues Over Expenditures	182,389	(201,952)	301,648	503,600	236,822
Other Financing Sources:					
Gain (loss) on disposition of assets	-	-	3,730	(3,730)	-
Total Other Financing Sources (Uses)	-	-	3,730	(3,730)	-
Change in Net Assets:	182,389	(201,952)	305,378	499,870	236,822
Fund Balance - Beginning of Year			613,183		376,361
Fund Balance - End of Year			918,561		613,183

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The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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Gunnison Valley Transportation Authority
Notes to the Financial Statements
December 31, 2013

I. Summary of Significant Accounting Policies

The Gunnison Valley Rural Transportation Authority (the "Authority") is a political subdivision incorporated under the laws of the State of Colorado. The purpose of the Authority is to fund and provide expanded mass transit and other transportation services including expanded air service in accordance with an intergovernmental agreement, explained below and in footnote V.B. – Intergovernmental Agreement.

The Authority was authorized on November 5, 2002, by Gunnison County's (the "County") electorate in a general election, which also established a 0.60% sales tax within the County's boundaries, except in the jurisdictional boundaries of the City of Gunnison where the rate is 0.35%, for the calendar years 2003 through 2009. This sales tax was subsequently extended indefinitely by the County's electorate in 2008. The Authority's boundaries include unincorporated Gunnison County, the Town of Crested Butte, the Town of Mt. Crested Butte, and the City of Gunnison. In order to improve intergovernmental efficiencies, the Authority has signed an intergovernmental agreement to establish a cooperative approach among the participating municipalities. This agreement is further explained in footnote V.B. of these financial statements.

The Authority's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the Authority are discussed below.

A. Reporting Entity

The Authority is governed by an appointed Board, two by the Board of County Commissioners, two by the Gunnison City Council, two by the Town Council of Crested Butte and two appointed by the Town Council of Mt. Crested Butte. No additional separate governmental units, agencies, or non-profit corporations are included in the financial statements of the Authority since none were discovered to fall within the oversight responsibility based on the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority has agreed to have Gunnison County provide administrative functions, including management of the Authority's finances. However, Gunnison County neither receives benefit nor carries any burden of the Authority; therefore, the Authority is not a component unit of Gunnison County.

B. Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

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I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

In the Balance Sheet/Statement of Net position, the Statement of Net position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position are reported in three parts – invested in capital assets, restricted and unrestricted. The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Authority reports only one fund - the General Fund - which accounts for all activities of the government. Transportation Authority sales tax revenues and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

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I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the Authority considers all accounts to be collectible.

3. Capital Assets

Capital assets, which include improvements and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital expenditures for projects are capitalized as projects are constructed and completed. Interest incurred during the construction phase, if applicable, is not capitalized as part of the value of the fixed asset.

Improvements are depreciated over forty years and equipment is depreciated over ten years using the straight-line method.

4. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of various fund balance classifications refer to Note IV.D.

5. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Subsequent Events

Management has evaluated subsequent events through July 31, 2014, the date these financial statements were available to be issued.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority does not have any items that qualify for reporting in this category at December 31, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category at December 31, 2013.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net position

The governmental fund Balance Sheet/Statement of Net Position includes an adjustment column. An explanation of the adjustment included in this column is as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. $498,737 represents the net book value of capital assets at December 31, 2013.

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustment column. Explanations of the adjustments included in this column are as follows:

Governmental funds report capital outlays as expenditures when incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The positive number below represents depreciation expense related to capital assets. There were no capital asset additions in the current year.

Depreciation	$114,973
Capital outlay	$0

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III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with U.S. GAAP.

(1) On or before October 15, 2012, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.

(2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2012.

(3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, and salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue. As required by TABOR, the Authority has reserved $35,000 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2013.

The ballot question approved by voters on November 5, 2002, which established the 4% Transportation Authority sales tax within the County's boundaries also authorized the Authority to collect and spend the proceeds of the tax, investment income, and all other revenues, without regard to the limitations imposed by TABOR, effective July 1, 2003.

The Authority's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

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IV. Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2013, the Authority's cash and cash equivalents were held by the Gunnison County Treasurer as an agent, but not in the Authority's name. Risk to the Authority's deposits is generally limited to Interest Rate Risk, Credit Risk, and Concentration of Credit Risk. The Authority seeks to minimize these risks as follows:

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the Authority, through investment by the County, restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The Authority's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The Authority, through the County diversifies its investments by security type and institution. Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, Congressionally authorized mortgage lenders and investments that are federally guaranteed.

B. Receivables

At December 31, 2013, the Authority's receivables of $168,151 were comprised of 2013 sales tax remitted to the Authority in 2014, and $273,231 due from United Airlines.

C. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	1/1/13	Additions	Deletions	12/31/13
Capital assets, being depreciated:				
Improvements	$ 21,765	-	-	21,765
Vehicles	1,148,034	-	(11,250)	1,136,784
Total	1,169,799	-	(11,250)	1,158,549
Less accumulated depreciation for:				
Improvements	2,313	545	-	2,858
Vehicles	547,496	114,428	(4,969)	656,955
	549,809	114,973	(4,969)	659,813
Total capital assets, net	$ 619,990	(114,973)	(6,281)	498,736

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IV. Detailed Notes on All Funds (continued)

D. Fund Balances and Net position

The Authority classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority does not have a formal minimum fund balance policy. However, the Authority's budget includes a calculation of a targeted reserve positions and management calculates targets and report them annually to the Board of Directors.

In the Balance Sheet/Statement of Net Position, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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V. Other Information

A. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2013.

B. Intergovernmental Agreement

Effective August 20, 2002, the Authority entered into an intergovernmental agreement (the "Agreement") with the Gunnison County, City of Gunnison, Town of Crested Butte and Town of Mt. Crested Butte pursuant to the Colorado Rural Transportation Authority Law, Title 43, Article 4, Part 6, Colorado Revised Statutes, as amended. This Agreement will remain effective indefinitely, unless the members agree in writing to terminate the Agreement or the Authority is otherwise reauthorized by the registered voters residing within the Authority boundaries.

The basic provision of the agreement is to finance, construct, operate and maintain an efficient, sustainable and regional multi-model transportation system at any location or locations within or without the boundaries of the Authority, subject to compliance within the Act.

C. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority has obtained coverage through contracting with an outside insurance agency for these risks and claims, if any, which are not expected to exceed covered amounts.

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